

Message Text

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R 171610Z MAR 76

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

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FOLLOWING REPEAT STATE 057607 ACTION EC BRUSSELS BONN BRUSSELS
DUBLIN LONDON LUXEMBOURG PARIS ROME THE HAGUE COPENHAGEN GENEVA
MAR 9,

QUOTE: LIMITED OFFICIAL USE STATE 057607

E.O. 11652: N/A

TAGS:ETRD, EAGR, EEC

SUBJECT: NON FAT DRY MILK MIXING REGULATIONS

REF: A) EC BRUSSELS 2294; B) EC BRUSSELS 1638

1. FOR EC BRUSSELS: MISSION REQUESTED TO LODGE IMMEDIATE
PROTEST AT HIGHEST LEVELS OF EC COMMISSION AGAINST EC
DECISION TO IMPLEMENT NON FAT DRY MILK (NFDR) MIXING
REGULATION ON APRIL 1 AND TO NOTIFY COMMISSION OF OUR
INTENTION TO PURSUE THIS MATTER VIGOROUSLY IN THE GATT.

2. IN MAKING THIS REPRESENTATION MISSION SHOULD DRAW ON TH
FOLLOWING POINTS:

A) U.S. REGRETS THAT DESPITE STRONG U.S. OPPOSITION
EC HAS DECIDED TO IMPLEMENT NFDM MIXING REGULATION;

B) THE MIXING REGULATION AND DEPOSIT REQUIREMENTS
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ARE INCONSISTENT WITH THE EC'S OBLIGATION UNDER THE GATT

AND IMPAIR U.S. DUTY FREE BINDINGS ON OILSEEDS, OILCAKE AND MEAL. U.S. EXPORTS OF THESE PRODUCTS TO THE EC ARE NOW MORE THAN 2 BILLION DOLLARS ANNUALLY.

C) WE ARE DISAPPOINTED THAT IN TAKING THIS ACTION EC HAS ONCE AGAIN FAILED TO BITE THE BULLET AND INSTEAD SOUGHT TO SHIFT RESPONSIBILITY TO THE INTERNATIONAL TRADING COMMUNITY FOR DEALING WITH WHAT IS ESSENTIALLY A DOMESTIC SURPLUS PROBLEM.

D) THE EC HAS NOT ANNOUNCED ACTION TO DEAL WITH THE BASIS CAUSES OF THE OVERPRODUCTION OF NFDM. ON THE CONTRARY THE 7.5 PERCENT MILK PRICE INCREASE APPROVED BY THE COUNCIL WOULD, IN OUR VIEW, LEAD TO A SUBSTANTIAL WORSENING OF THE NFDM PROBLEM A YEAR FROM NOW.

E) WE HAVE ALSO NOTED AND ARE CONCERNED THAT THE COUNCIL DECISION ON THE MIXING SCHEME DOES NOT SPECIFY A TERMINATION DATE DESPITE REPEATED ASSURANCES BY COMMISSION OFFICIALS THAT IT WOULD BE TEMPORARY AND A ONE SHOT PROGRAM.

F) THE TEMPORARY SUBSIDY FOR PRIVATE STORAGE OF 250,000 MT OF "CERTAIN PROTEIN PRODUCTS" DOES NOT IN U.S. VIEW SIGNIFICANTLY DAMPEN EFFECT OF NFDM MIXING REGULATION ON U.S. TRADE. SINCE THE SUBSIDY WILL BE TEMPORARY, RELEASE OF THIS 250,000 MT STOCK ONTO THE MARKET IN FUTURE WILL UNDOUBTEDLY HAVE AN ADVERSE IMPACT ON U.S. EXPORT SALES OF SOYBEANS, CAKE AND MEAL AT THAT TIME.

3. OTHER ACTION ADDRESSEES REQUESTED TO LODGE SIMILAR PROTESTS AT EARLIEST OPPORTUNITY AT APPROPRIATE LEVEL. KISSINGER UNQUOTE KISSINGER

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